



Department of Justice

FOR IMMEDIATE RELEASE
FRIDAY, OCTOBER 23, 1998
WWW.USDOJ.GOV

AT
(202) 616-2771
TDD (202) 514-1888

JUSTICE DEPARTMENT FILES SUIT TO BLOCK NORTHWEST AIRLINES' TAKEOVER OF CONTINENTAL AIRLINES

Higher Prices and Loss of Competition for Millions of Passengers Alleged

WASHINGTON, D.C. -- The Department of Justice filed a civil antitrust suit today to block Northwest Airlines from buying a controlling stake in Continental Airlines. Northwest and Continental are the fourth and fifth largest U.S. airlines, respectively, and compete to provide air transportation services on thousands of routes across the country.

The Department said the proposed acquisition would allow Northwest to acquire voting control over Continental, as well as share in Continental's profits, diminishing substantially both Northwest and Continental's incentives to compete against each other.

"Affordable, quality air transportation is critical to consumers both in their personal lives and in their businesses," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. "This acquisition would lead to higher ticket prices and worse service for the over four million passengers traveling on the routes dominated by the two airlines."

In its complaint, filed in U.S. District Court in Detroit, the Department said Northwest and Continental are each other's most significant competitors -- if not only competitors -- for nonstop airline service between the cities where they operate their hubs. Northwest operates hubs at Detroit, Memphis, and Minneapolis. Continental operates hubs at Cleveland, Houston and Newark. The two airlines also have a dominant share of the traffic on connecting flights

between numerous cities. Millions of passengers spend more than \$350 million each year traveling between these cities.

According to the complaint, Northwest plans to acquire stock from financier David Bonderman and his partners. That stock represents 14 percent of Continental's equity but 51 percent of its voting rights—voting control. Under a related agreement with Continental, Northwest promises to place its stock in a “voting trust” for six years. The complaint alleges that the voting trust does not prevent the harm likely to result from the acquisition.

“Anticompetitive acquisitions cannot be cured by long-term voting trusts or other artificial legal devices that leave one competitor in the hands of another,” added Klein. “If owned by Northwest, Continental would be less likely to pursue competitive strategies that benefit consumers but would be adverse to Northwest. Consumers deserve the vigorous competition that comes from truly independent competitors.”

Northwest and Continental also plan to form an “alliance” to jointly market their - domestic service. The Department said it has competitive concerns about certain specific aspects of the proposed alliance, which is a separate agreement from the equity acquisition, and that its investigation of those aspects of the alliance continues.

Northwest is a Minnesota corporation, headquartered in St. Paul, with 1997 revenues of \$10.2 billion. Continental is a Delaware corporation headquartered in Houston, Texas, with 1997 revenues of \$7.1 billion.

###